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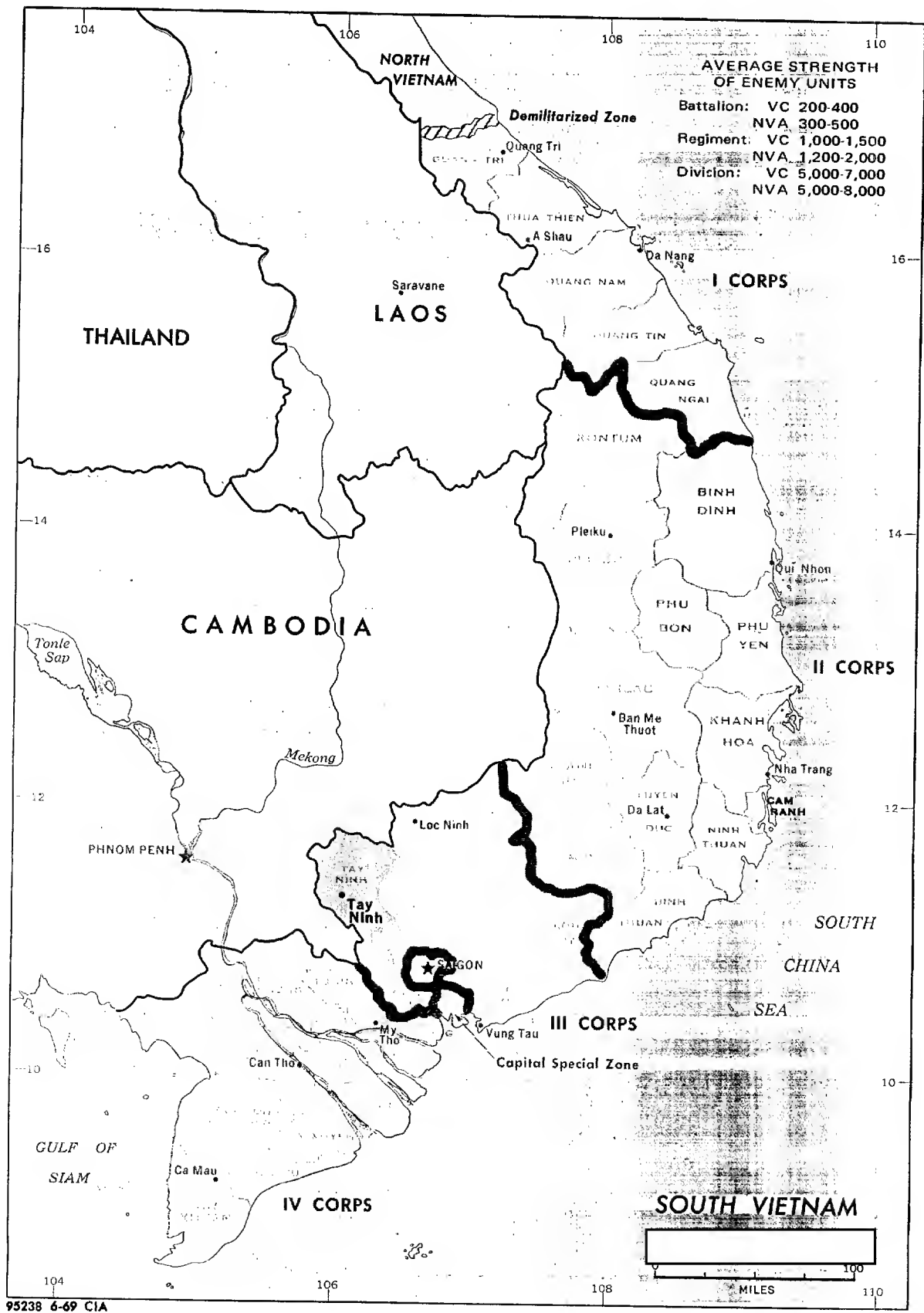
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[Vietnam: The initial South Vietnamese reaction to the results of the Midway meeting was generally one of calm acceptance.

The announcement of a US troop withdrawal, considered a sensitive and possibly divisive issue in Saigon, was met with an air of confidence that South Vietnamese forces can take up the slack. Several prominent National Assembly members have approved of the action and expressed the belief that the decision would be well-received by the American public.

President Thieu moved quickly to calm any fears his countrymen might have that the US is initiating a precipitous or wholesale pullout. At a Saigon press conference, he said he had proposed the withdrawal because he felt Vietnamese replacements were capable of taking over a larger share of the fighting.

Hanoi's first response to the Midway communiqué was filled with invective, but it lacked any substantive content. The North Vietnamese apparently did not mention the pending US troop withdrawal. A North Vietnamese spokesman in Paris may have given the essence of Hanoi's real assessment of the Midway meeting: he described the troop pullout as designed to "appease" American sentiment against the war.

* * * *

Communist attacks fell off to a moderate level on 8-9 June following three days of stepped-up activity.

In Tay Ninh Province, the focal point of the enemy's recent "action phase," the Communists laid down a 300-round mortar barrage and followed it with a ground assault against a South Vietnamese Army battalion southwest of Tay Ninh city on 9 June.

(Map)]



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USSR: Soviet party leader Brezhnev told the International Communist Conference that Russia remains ready to seek negotiated limitations on strategic armaments.

Most attention has focused on the anti-Chinese portions of his lengthy keynote address, but Brezhnev used the occasion to describe Soviet policy in other areas as well. In keeping with the anti-imperialist theme of the conference, Brezhnev blackened the US in standard terms as the bulwark of reaction, but went on to assert explicitly that the Soviet Union seeks an understanding "on measures for limiting and restraining the arms race, above all the race for nuclear and missile weapons." He did not specifically discuss bilateral talks with the US.

He endorsed the principle of peaceful coexistence as one which does not apply to ideological struggle but which does open the door to expanded relations, such as those established by the USSR with France and Japan, and to the settlement of international problems at the negotiating table. Brezhnev emphasized that no exception to this principle was made in the case of the US.

The Soviet party boss drew a distinction between "extremely aggressive circles" which often influence capitalist policies and moderates who, while also Moscow's ideological enemies, assess the present power balance "quite soberly" and are inclined "to explore mutually acceptable settlements of outstanding international issues."

Brezhnev also said that the USSR intended to maintain its armed forces at the "highest level," but admitted that this retarded scientific and technical progress and restricted the USSR in its ability to meet the needs of its people. This appears to have been an effort to square Moscow's anti-imperialist posture with its advocacy of arms talks with Washington.

(continued)

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Brezhnev's attention, in the context of the Communist conference, to the need for negotiated settlements in general and to arms limitations in particular underlines their importance to the Soviets. It also indicates a desire not to exacerbate relations with the US despite Moscow's need to make anti-imperialism the rallying point of its efforts to minimize disunity in the Communist world.



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USSR: According to a company official, the Fiat automobile plant under construction in the USSR will meet less than half its production goal next year because of construction delays resulting from severe winter weather and bureaucratic disorganization.

The original production schedule called for the assembly of a token number of cars this year, 200,000 cars in 1970, and 600,000 in 1972. In February, however, Moscow postponed the initial roll-out until April 1970.

Although the Fiat official estimates that only 50,000-100,000 cars will be produced in 1970, he still believes that the Soviets will meet their original goal of 1.2 million cars during 1970-72. After construction is completed, management of the plant allegedly will be concentrated in a single authority instead of the maze of ministerial administrators now supervising the plant's construction. In addition, he reports that the capacity of the plant will be one million units rather than the 600,000 originally planned for 1972.

In contrast to the slow pace of construction, the delivery of machinery to the plant site is proceeding on schedule. About 75 percent of the \$450-460 million of machinery ordered in the West is scheduled to be delivered this year, with the remainder arriving by the end of 1970.

The Fiat official believes that Moscow has not yet decided on the allocation of new cars between domestic and foreign consumers. No prices have been published, and orders have not yet been accepted.



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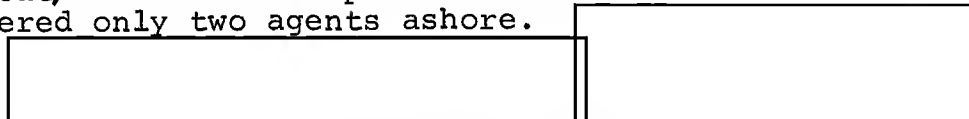
Korea: Improved South Korean security measures defeated the latest North Korean infiltration attempt.

The abortive landing on 8 June is the only known attempt to infiltrate guerrillas by sea since 15 March, when eight North Koreans infiltrated a small port about 55 miles south of the Demilitarized Zone. Incidents along the Demilitarized Zone have also been infrequent so far this year, making the over-all level of violence less than half that of the same period last year. Pyongyang gives every indication, however, of intending to continue infiltrations in order to undermine stability in South Korea and to give credibility to North Korea's claim that there is a growing revolutionary movement in the South.

Although North Korean agent boats apparently are still able to come close to shore, security along the South Korean coast has been strengthened considerably since last fall when 120 agents successfully infiltrated in the same general area as the most recent attempt. Seoul has placed much of the east coast directly under operational control of the military.

According to US Embassy officials who recently toured the area, the coast generally appears to be saturated with guards drawn from the regular army, national police, and homeland defense force. There probably has also been an improvement in general alertness; a court martial gave death sentences to coast watchers who were derelict during the infiltration last fall.

The South Korean counterespionage headquarters has placed two east coast counties on emergency alert after frustrating the attempted landing on 8 June. There were, however, apparently few survivors among those launched in a six-man raft from a fast agent boat, which did escape. Search forces have encountered only two agents ashore.



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Sudan: [Khartoum plans to send a military delegation to Moscow and Prague in the near future.]

[A Sudanese military mission traveling in Eastern Europe and the USSR at the time of the recent coup almost certainly returned empty handed; at least some of the Sudanese negotiators have fallen from the government's favor.]

[The USSR already has supplied Sudan with [redacted]

[redacted] tanks, small arms, and ammunition.

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[redacted] Sudanese currently are receiving flight instruction and training in radar operation in the USSR, and Soviet personnel reportedly are surveying for the installation of a radar system in Sudan.]

[redacted]

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Spain-Gibraltar: Madrid's closing of the land access to Gibraltar on 8 June marks its displeasure over Britain's new constitution for "the Rock."

The constitution, announced on 30 May, is chiefly intended to simplify the governing mechanism. In place of the former City Council and Legislative Council, there now will be only one legislative body. The constitution makes no essential change in the British role in the colony, but Britain pledges in the preamble that it will never dispose of the territory in a manner unacceptable to the local population.

Spain's new move will bar some 4,600 Spanish laborers from their jobs. In its effort to gain control of Gibraltar, Madrid may take more steps shortly, including possibly a ban on travel to the colony by ferry from Algeciras. It could also cut water, cable, and telephone communications.

Spain has worked assiduously to keep up pressure on London through the UN. It has also used harassing measures, such as prohibition of British flights over the Gibraltar area, and border restrictions aimed at gradually isolating the Rock. Madrid sought earlier this year to persuade Moscow to divert to Spanish ports the Soviet merchant ships and fishing vessels which have been calling at Gibraltar and providing part of its income.

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NOTES

West Germany - Middle East: Bonn continues to worry that Egypt and other Arab states will follow the example of Iraq, Sudan, and Syria, and recognize East Germany. One ranking West German Foreign Ministry official singled out Southern Yemen as a country which might recognize East Germany, but he was clearly more concerned about Egypt. If Egypt does recognize Pankow, the official believes that it will be an entirely new situation and that other countries, such as Lebanon and Algeria, would come under strong pressure to do likewise.

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Ecuador: President Velasco reportedly has chosen a new foreign minister whose political opinions have been shifting and ambiguous in the past and who is probably opposed to a major US role in Latin American affairs. In another of his frequent cabinet changes, Velasco is said to have offered the post to a close friend, Jose Ricardo Martinez Cobo, presently Ecuador's permanent representative to the UN office in Geneva. Martinez, who expects to assume his new position this month, has a long record of international experience under several governments.

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